

Message Text

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INFO OCT-01 NEA-09 ISO-00 AID-05 CIAE-00 EB-07 FRB-03

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TO SECSTATE WASHDC 6052

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TAGS: ECON, EFIN, EIND, ELAB, ETRD, BG

SUBJECT: REDUCED JUTE PRODUCTION/SALES/FOREIGN EXCHANGE
EARNINGS

REF: A-10, JANUARY 29, 1975

1. M.K. ANAWAR, CHAIRMAN BANGLADESH JUTE INDUSTRIES CORP. CONFIRMED PRESS REPORTS THAT 87 PERCENT OF BANGLADESH'S BROADLOOM CARPET-BACKING JUTE MILLS HAVE BEEN CLOSED IN THE LAST MONTH. THE CLOSURE HAS IDLED OVER 15,000 WORKERS (APPROXIMATELY 10 PERCENT OF THOSE EMPLOYED IN JUTE MANUFACTURING). THE CLOSURE IS ATTRIBUTED, BY ANWAR AND OTHERS, TO EXTREMELY POOR SALES OF CARPET-BACKING (PRIMARILY IN US) OVER THE LAST 4-5 MONTHS. WHILE CARPET-BACKING SALES HAVE BEEN HARDEST HIT, ANWAR CHARACTERIZED THE OUTLOOK FOR JUTE MANUFACTURED GOODS IN GENERAL AS BLEAK. EXPORT ORDERS FOR RAW JUTE HAVE ALSO FALLEN OFF SHARPLY SINCE JANUARY, 1975.

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2. CARPET-BACKING REPRESENTS 12.5 PERCENT TO 13.5

PERCENT OF MANUFACTURED JUTE GOODS TOTAL PRODUCTION AND A SOMEWHAT HIGHER PERCENTAGE OF TOTAL REVENUE (DUE TO HIGHER PRICES FOR CARPET-BACKING COMPARED WITH OTHER JUTE MANUFACTURED GOODS). ACCORDING TO ANWAR'S ESTIMATES, THE EARLIEST AN UPTURN IN CARPET-BACKING SALES CAN BE EXPECTED IS MID-YEAR 1975. BECAUSE OF THE LARGE INVENTORY OF FINISHED CARPET-BACKING EVEN ANWAR'S OPTIMISTIC, IN OUR VIEW, SALES OUTLOOK WOULD MEAN A CONSIDERABLY LONGER PERIOD OF INACTIVITY FOR THE LAID-OFF WORKERS.

3. COMMENT. WE HAVE BEEN TOLD BY THE REPRESENTATIVE OF A LEADING US CONSUMER OF CARPET-BACKING THAT THE UPTURN IN CARPET-BACKING SALES IS MORE LIKELY TO OCCUR IN FOURTH QUARTER 1975 OR FIRST QUARTER 1976 BECAUSE OF LAG TIME BETWEEN HOUSING STARTS AND DEMAND FOR CARPET (6-9 MONTHS). IF THIS IS TRUE AND IF THE OUTLOOK FOR THE INDUSTRY AS A WHOLE IS INDEED "BLEAK", AS ANWAR INDICATED, BANGLADESH IS IN FOR AN EVEN MORE SEVERE FOREIGN EXCHANGE CRUNCH THAN THAT EXPERIENCED IN 1974. AS A RESULT, OUR ESTIMATE OF FOREIGN EXCHANGE EARNINGS OF \$390 MILLION (SEE REFAIR) IS OVERLY OPTIMISTIC. EXPORT EARNINGS FOR FY 1974/75 NOW APPEAR LIKELY TO REMAIN AT OR NEAR THE FY 1973/74 FIGURE OF \$318 MILLION. CHESLAW

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